

Message Text

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ACTION ARA-20

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 PA-04 PRS-01

USIA-15 DRC-01 /165 W

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R 152147Z APR 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8192

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY LIMA

AMEMBASSY MADRID

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EO 11652: N/A

TAGS: EIND, CI

SUBJ: GENERAL MOTORS RETURNS TO CHILE

AND FORD PROBABLY NOT FAR BEHIND.

1. SUMMARY. GENERAL MOTORS SIGNS AGREEMENT WITH CORFO TO ACCEPT RETURN OF ARICA PLANT AS OF MAY 1, 1974. GM WILL BEGIN ASSEMBLING PICK-UP TRUCKS, PROBABLY FROM ARGENTINA, BUT MAY SUBSEQUENTLY MOVE TO OTHER VEHICLES FROM OTHER SOURCES. WHILE FORD CASE MORE COMPLEX, PARTICULARLY AS A RESULT OF FORMAL INTERVENTION, LOCAL FORD REPS EXPECT THAT THEY COULD SIGN AGREEMENT WITH CORFO FOR RETURN OF CASABLANCE PLANT WITHIN TWO WEEKS. END OF SUMMARY.

2. APRIL 12 EL MERCURIO GAVE FRONT-PAGE HEADLINE COVERAGE TO GENERAL MOTORS SIGNING OF CONTRACT WITH CHILEAN DEVELOPMENT CORPORATION (CORFO) TO START-UP ASSEMBLY OPERATIONS AT ITS ARICA PLANT. (GENERAL MOTORS LEFT CHILE IN DECEMBER 1971 AND HAD BEEN LEASING ITS PLANT TO CORFO SINCE THAT TIME. PLANT WAS RENAMED COR-ARICA AND HAD BEEN USED FOR ASSEMBLY

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OR AT LEAST FINAL PREPARATION OF JEEPS AND TRUCKS IMPORTED

FROM SEVERAL SOURCES, THUS PROVIDING WORK FOR PLANT'S 300 EMPLOYEES.)

3. ESSENTIALLY, CORFO-GM AGREEMENT TERMINATES LEASING AGREEMENT AND STATES THAT AS OF MAY 1, 1974, GM WILL BE RESPONSIBLE FOR PLANT AND PERSONNEL. GM MAY BEGIN WITH ASSEMBLY OF COMPLETELY KNOCKED-DOWN (CKD) TRUCKS IMPORTED FROM ARGENTINA AND WILL BE RESPONSIBLE FOR ANY CREDIT ARRANGEMENTS BETWEEN GM CHILE AND GM ARGENTINA. ASSEMBLY TO BEGIN AS SOON AS POSSIBLE AFTER MAY 1 AND MAY WELL EXPAND TO OTHER TYPE VEHICLES FROM OTHER SOURCES. GM OFFICIALS TOLD EMBASSY GM MOST INTERESTED IN LONG-RANGE ANDEAN GROUP POSSIBILITIES. DECISION TO RETURN ALSO BASED ON FACT THAT LITTLE OR NO NEW INVESTMENT IS REQUIRED.

4. OTHER U.S. AUTOMOTIVE INTEREST (FORD) MAY BE RETURNED WITHIN WEEK OR TEN DAYS, ALTHOUGH FORD' CASE MORE COMPLEX. WHEREAS GM HAD ONLY TO TERMINATE A LEASE, FORD HAVING DIFFICULTIES DUE TO: (1) FACT OF FORMAL INTERVENTION AND DIFFICULTY OF RESOLVING FINANCIAL QUESTIONS; (2) FORD'S WISH THAT CORFO FIRE A NUMBER OF WORKERS BEFORE PLANT TURNED BACK; (3) PRESENT PEGASO ASSEMBLY OPERATIONS AT FORD'S CASABLANCA PLANT MUST BE TERMINATED; AND (4) NEED TO WAIT FOR AVAILABILITY OF 1975 FORD MODELS AS CKD UNITS WILL BE BROUGHT FROM THE U.S. AND NOT FROM ARGENTINA.

5. LOCAL FORD REPS TOLD EMBOFF THAT CORFO HAS BEEN PRESSURING THEM TO SIGN CONTRACT, USING GM AGREEMENT AS LEVER. HE SAID DRAFT AGREEMENT NOW BEING STUDIED IN U.S. AND ACCEPTABLE LANGUAGE EXPECTED TO BE FOUND SHORTLY. ACTUAL FORD OPERATIONS MAY TAKE LONGER, IN HIS OPINION, AS FORD UNWILLING TO TAKE POSSESSION OF PLANT UNTIL PEGASO ASSEMBLY TERMINATED. PEGASO NOW ASSEMBLING ONLY TWO UNITS PER DAY INSTEAD OF PROGRAMMED

14. FORD HAS OFFERED CORFO TECHNICAL ASSISTANCE TO COMPLETE PEGASO ASSEMBLY OPERATIONS IN SHORTER TIME. FORD REPS ESTIMATE THAT IT MIGHT BE SIX MONTHS BEFORE THEY ACTUALLY BEGIN OPERATING PLANT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOTIVE INDUSTRY, TRUCKS, AGREEMENTS, INTERVENTION, TECHNICAL ASSISTANCE, INDUSTRIAL PLANTS, LEASES
Control Number: n/a
Copy: SINGLE
Draft Date: 15 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANTIA01973
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740087-0006
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740442/aaaablrvtel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUN 2002 by kelleyw0>; APPROVED <07-Aug-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GENERAL MOTORS RETURNS TO CHILE AND FORD PROBABLY NOT FAR BEHIND.
TAGS: EIND, CI, AR, US, GENERAL MOTORS, FORD, CORFO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005